



Date: May 17, 2005

To: *GRM* Gerald R. Miller, City Manager

From: *MAK* Michael A. Killebrew, Director of Financial Management

For: Members of the Budget Oversight Committee

Subject: **May 17, 2005 Budget Oversight Committee Meeting**

At the request of the Budget Oversight Committee at their April 19, 2005 meeting, the following information is attached for your review.

1. Draft Transmittal of the Budget Oversight Committee's Recommendations on New Revenue Opportunities for City Council (Exhibit 1)
2. Draft PowerPoint Presentation (Exhibit 2)
3. Responses to April 19, 2005 Budget Oversight Committee Requests for Information (Exhibit 3)
4. Response from City Attorney Concerning Container Taxes and Fees (Exhibit 4)

Should you require any further information, please do not hesitate to contact me at 8-6427.

Attachments

GRM:MAK:sm

K:\Budget\FY05\BOC\May 17, 2005 Cover Memo

cc: Mayor and Members of the City Council
Gary L. Burroughs, City Auditor
Robert E. Shannon, City Attorney
Tom Reeves, City Prosecutor
Christine F. Shippey, Assistant City Manager
Suzanne R. Mason, Deputy City Manager
Reginald I. Harrison, Deputy City Manager
City Manager Department Heads



Date: May 17, 2005

To: Gerald R. Miller, City Manager

From: Michael A. Killebrew, Director of Financial Management

For: Members of the Budget Oversight Committee

Subject: **Draft Transmittal of the Budget Oversight Committee's Recommendations on New Revenue Opportunities for City Council**

As part of the Budget Oversight Committee's (BOC) FY 05 Recommendations presented to the City Council on August 24, 2004, potential revenues sources, including various tax initiatives, were discussed as potential solutions to the current budget challenges. During the last few months, the BOC has been exploring in more detail the following potential sources of new or increased revenue:

- Utility User Tax (UUT)
- Local Sales Tax
- Transient Occupancy Tax (TOT)
- Library Assessment Tax
- Fire Assessment Tax
- Oil Production Tax
- Parking Lot Tax

The following report provides detailed information on each of the above tax initiatives, including potential value of rate increases and recent electoral results from other cities for 2004 and 2005 ballot measures. City staff also surveyed nine comparable cities in California on current rates and tax initiatives during the past five to ten years. In addition, for Oil Production and Fire Assessment Taxes, staff surveyed cities that assess these taxes in California.

When considering future tax measures, it is important to remember that Proposition 218 requires a two-thirds popular vote for any tax whose proceeds are designated in advance for a particular use. In contrast, a tax that would generate revenue that is not designated or restricted in its use can be approved with a simple majority voter approval. One approach taken recently combines a general tax measure (not designated for a particular use) with an advisory measure, where by the electorate can indicate how they hope the funds will be used, though this is nonbinding.

Utility User Tax

The current UUT rate in Long Beach is 5 percent, which is expected to generate approximately \$40.5 million in Fiscal Year 2005 (FY 05). This rate represents a reduction approved by voters in 1999, which cut the rate in half over the last five years from 10 to 5 percent. One percent increase in the UUT would generate between \$7.5 million and \$8 million for the General Fund.

An increase in the UUT would affect electric, water, gas, and telephone rates. As a sample impact, an average residential gas bill in Long Beach totals \$35.05 per month, which would increase the UUT by \$0.35 per each additional UUT percentage point.

Further research would be required to get an average cost for a typical resident for all UUT related bills (gas, water, electric and phone) and payments. If the combined bills total \$150 per month, then the total monthly increased cost would be \$1.50 per month or \$18 per year.

During 2004 and 2005, five cities in California proposed a general increase to their existing Utility User's Tax (UUT). Four of the five failed to receive the majority voter approval required. Please see Table 1 for more detail.

Table 1

CITY	YES %	NO %	PASS/FAIL
Berkeley	37.4%	62.6%	Fail
King City	28.2%	71.9%	Fail
La Verne	51.8%	48.2%	Pass
Palm Springs	25.3%	74.7%	Fail
Salinas	34.6%	65.4%	Fail

When comparable agencies were surveyed, Long Beach has one of the lower rates, with Los Angeles at 12.5 percent and Oakland, Sacramento and San Francisco with 7.5 percent each. Both Oakland and Sacramento attempted to change their UUT rate in 2002, both were unsuccessful. Please refer to attached **Attachment 1** for more detailed information.

Local Sales Tax

The current Sales Tax rate in Long Beach is 8.25 percent which is split between the State (6 percent), Los Angeles County Metropolitan Transportation Authority (1 percent), Los Angeles County (0.25 percent) and the City of Long Beach (1 percent). Long Beach is expected to generate \$40.4 million in FY 05 Sales Tax revenue. An additional 1/2 percent, which is the maximum the rate could be increased, would generate approximately \$20 million for the General Fund. Assuming the ballot language does not restrict the use of the revenue, Sales Tax revenue generated with such a ballot measure would be available to support general government programs, services and operations including public safety, library and youth programs.

An additional increase in Sales Tax would increase the cost of taxable purchases made in the city, which would vary significantly for each resident. Visitors to the city would also contribute toward Sales Tax revenue.

Voters in 25 cities considered proposals to increase their local sales tax in 2004/2005. Overall, 13 of the 25 (52 percent) measures passed. Over half (16 of the 25) of the proposals were for general purposes, with three cities (Lakeport, San Francisco and Watsonville) placing a companion advisory measure on the ballot requesting voter preference on the use of the funds. Of these three, only Lakeport was successful. Of all 25 measures, nine (36 percent) measures were for public safety funding and required a 2/3-voter approval. Out of these nine, four cities (44 percent) were successful. Interestingly, eight of the nine cities with a special tax measure collected over 50 percent of the total vote. Please see Table 2, on the next page, for more detail on the 25 measures.

Table 2

CITY	YES %	NO %	PASS/FAIL	RATE	Purpose
El Cajon	68.7%	31.3%	Pass	1/2 cent	Public Safety
Los Banos	78.0%	22.0%	Pass	1/2 cent	Public Safety
Merced	61.7%	38.4%	Fail	1/2 cent	Public Safety
San Juan Bautista	62.7%	37.3%	Fail	1/4 cent	Public Safety
Santa Rosa	70.0%	30.0%	Pass	1/4 cent	Public Safety
Stockton	73.6%	26.4%	Pass	1/2 cent	Public Safety
Susanville	46.3%	53.7%	Fail	1/2 cent	Public Safety
Ukiah	63.2%	36.8%	Fail	1/2 cent	Public Safety
Visalia	66.5%	33.5%	Fail	1/4 cent	Public Safety
Atwater	44.1%	55.9%	Fail	1 cent	
Capitola	59.7%	40.3%	Pass	1/4 cent	
Davis	68.5%	31.5%	Pass	1/2 cent	
Farmersville	64.3%	35.8%	Pass	1/2 cent	
Galt	21.5%	78.6%	Fail	1/4 cent	
Lakeport	59.6%	40.4%	Pass	1/2 cent	
Madera	46.4%	53.6%	Fail	1/4 cent	
Manteca	22.0%	78.0%	Fail	1/4 cent	
Montclair	63.3%	36.8%	Pass	1/4 cent	
Monterey	49.1%	50.9%	Fail	1/4 cent	
San Francisco	42.2%	57.8%	Fail	1/2 cent	
Sand City	56.1%	43.9%	Pass	1/2 cent	
Santa Cruz	68.9%	31.1%	Pass	1/4 cent	
South Lake Tahoe	57.2%	42.8%	Pass	1/2 cent	
Watsonville	37.2%	62.8%	Fail	1/4 cent	
Woodlake	58.2%	41.8%	Pass	1/2 cent	

None of the nine comparable agencies surveyed have a local sales tax. Fresno, San Diego and San Francisco all voted against local sales tax initiatives in 2002, 1996 and 2004 respectively. Please see attached **Attachment 2** for further details on these cities.

In addition to the local sales tax discussed in this report, the County of Los Angeles proposed an additional 1/2 percent increase in sales tax on its 2004 ballot (Measure A). The measure was designated to support public safety. That measure failed to obtain the required 2/3 vote, receiving only 59.6 percent yes votes. In the City of Long Beach, Measure A received 60 percent yes votes.

Transient Occupancy Tax

The current Transient Occupancy Tax (TOT) rate is 12 percent applied to every hotel room night in Long Beach. Revenue from one-half, or six of the 12 percentage points, accrues to the General Fund, with the other half shared between the Special Advertising and Promotions Fund and the Redevelopment Agency (for the hotels located in the Downtown Redevelopment Area). The TOT is expected to generate \$14.4 million citywide, with \$7.2 million for the General Fund in FY 05. It is estimated that each percentage point could increase the current level of TOT revenue by approximately \$1.2 million annually for the General Fund.

Additional TOT revenue may be used for any purpose, depending on ballot language, or to fund targeted economic development, public arts, and general government operations.

The current average room rate in Long Beach is \$109. Using this as a baseline, it is estimated that each 1 percent increase would cost Long Beach visitors an additional \$1.09 per night, in addition to the \$13.08 for the 12 percent rate currently in effect. There will be no impact on residents unless they utilize hotel accommodations in the city.

In 2004 and 2005, 24 cities proposed a TOT increase. Voters in 13 cities approved the increase, a 54 percent success rate. Most cities proposed a general increase, which required a majority vote. South San Francisco and San Juan Bautista earmarked the funds for parks, recreation and public safety services and for parking and restrooms, respectively, thus requiring a 2/3-voter approval. Both received the required 66.6 percent voter approval to pass. The following Table highlights the results of the 24 measures.

Table 3

CITY	YES %	NO %	PASS/FAIL	Change
Avalon	56.1%	43.9%	Pass	9% to 12%
Calexico	49.2%	50.8%	Fail	7% to 10%
Carson	41.0%	59.0%	Fail	9% to 12%
Cathedral City	52.7%	47.3%	Pass	10% to 11%
Coalinga	46.4%	53.6%	Fail	6% to 10%
Healdsburg	71.8%	28.2%	Pass	10% to 12%
Indio	36.0%	64.0%	Fail	10% to 12%
Livingston	53.7%	46.3%	Pass	6% to 9%
Mission Viejo	39.2%	60.8%	Fail	8% to 10%
Oakdale	39.1%	60.9%	Fail	7% to 10%
Oroville	40.3%	59.7%	Fail	9% to 12%
Paradise	62.4%	37.6%	Pass	6% to 10%
Red Bluff	33.3%	66.7%	Fail	10% to 12%
Redondo Beach	56.2%	43.8%	Pass	10% to 12%
San Diego	41.4%	58.6%	Fail	10.5% to 13%
San Juan Bautista*	69.7%	30.3%	Pass	10% to 12%
San Pablo	53.0%	47.0%	Pass	6% to 12%
San Ramon	48.6%	51.4%	Fail	7.25% to 10%
Santa Ana	56.2%	43.8%	Pass	9% to 11%
Santa Monica	74.7%	25.3%	Pass	12% to 14%
Sausalito	57.8%	42.2%	Pass	10% to 12%
South San Francisco	69.4%	30.6%	Pass	8% to 9%
Tehachapi	39.9%	60.1%	Fail	8% to 12%
West Sacramento*	68.2%	31.8%	Pass	4% to 12%

*Special Tax

The City of Anaheim currently has the highest TOT at 15 percent, while the Cities of Beverly Hills, Inglewood, Los Angeles, Santa Monica and San Francisco each have 14 percent. All other cities surveyed, including Long Beach (at 12 percent) vary from 4 to 13 percent.

The average TOT rate for the comparable agencies is 11.5 percent. Sacramento, San Francisco and Santa Ana all passed a TOT increase in 2002, 1998 and 2004, respectively. Fresno, Oakland, San Diego and San Jose also held elections to increase their TOT rates in the last five years but were unable to achieve the majority vote needed to pass. Please refer to attached **Attachment 3** for more detail.

Library Assessment Tax

Based on a hypothetical rate of \$25 per parcel (with an annual CPI increase) potential revenue could range from \$2.8 to 4.3 million depending on the method of assessment.

According to the 2000 census, the actual number of residential units included in the 102,969 parcels is estimated to be 170,000 units. Using the number of units as opposed to the number of parcels for this calculation would significantly affect the revenue estimate. Furthermore, further research would be required to determine whether the tax would remain constant among all parcels or should vary between residential and commercial parcels. This would be a special tax for a specific use; therefore, 2/3 approval would be required.

A Library Focus Group was recently convened to identify and recommend standards of service and sources of revenue that could support these levels of services. The Focus Group has recommended a \$25 per unit rate that could generate \$4.3 million. If raised, it could provide supplemental funding for increased operational levels such as increasing library hours to six days/week for all neighborhood libraries and seven days/week for the Main Library, increasing the materials budget (i.e., books, media and electronic resources) to meet the national standard (equal to 15 percent of the operating budget), and maintaining the virtual library at its state-of-the-art level. Any additional increase beyond \$25 per parcel would augment other services identified by the Library Focus Group such as literacy programs, community outreach and special events.

During 2004-2005, 12 cities had new Library Assessment measures on the ballot; only Richmond's measure passed. The remaining 11 cities were part of a Los Angeles County measure placed on the ballot by the Board of Supervisors without the support of the local city councils. Residents of Berkeley successfully renewed their Special Library Tax in 2004 by a margin of 87 percent for, 13 percent against. The separate measure that failed was for an increase to this original tax to generate \$1.9 million for increased operating costs (i.e., salaries) and literacy programs. Recently, Santa Clara County renewed an annual library parcel tax of \$33.66 but defeated a measure that would have increased it to \$45.66. While this memo focuses on measures to create or increase taxes, it is important to note that in 2004, the cities of Oakland, San Jose, and Sacramento all had initiatives on the ballot to renew their pre-existing Library Assessment taxes. All were successful. Oakland, as part of the renewal initiative, also doubled their taxable amount from \$36 to \$75 per single family residential unit.

Table 5

LIBRARY ASSESSMENT TAX - NEW			
CITY	YES %	NO %	PASS/FAIL
LA County Proposed Measure			Fail
Richmond	59.0%	41.0%	Pass
Berkeley	51.0%	50.0%	Fail

LIBRARY ASSESSMENT TAX - RENEWAL			
CITY	YES %	NO %	PASS/FAIL
Berkeley	87.0%	13.0%	Pass
Oakland	77.2%	22.8%	Pass
Sacramento	72.4%	22.8%	Pass
San Jose	66.9%	33.1%	Pass
Santa Clara County	72.0%	28.0%	Pass

Fire Assessment Taxes

Long Beach does not have a Fire Assessment Tax. Based on a hypothetical rate of \$25 per parcel (with an annual CPI increase) potential revenue could range from \$2.8 to 4.3 million depending on method of assessment. Various methodologies could be used to establish such a tax to remain constant among all parcels or to vary between residential and commercial parcels. The option exists to apply this tax on commercial properties only as well.

As previously mentioned in the discussion concerning the Library Assessment Tax, using the number of units as opposed to the number of parcels for this calculation would significantly affect the revenue estimate.

Resource needs, as determined by the Fire Department, include fire station rehabilitation, paramedic rescue units, technology support, and other support positions and equipment, most of which were identified and recommended in the Fire Services Review Study.

During 2004 and 2005, 14 cities had new Public Safety Assessment measures, of which only four passed (29 percent). Albany passed with an 80.5 percent approval rating and established the tax rate based on parcel size instead of categories of use (residential, commercial, and industrial). The City of Del Rey Oaks, in Monterey County, approved a three-year assessment tax for Public Safety. The City of Huntington Park approved a measure to eliminate a Street Lighting and Landscaping Assessment and imposed in its place an annual charge upon property to fund Public Safety services. Please see the following Table for more details.

Table 6

PUBLIC SAFETY ASSESSMENT TAX			
CITY	YES %	NO %	PASS/FAIL
Albany	80.50%	19.50%	Pass
Banning	46.00%	54.00%	Fail
Berkeley	45.20%	54.80%	Fail
Del Rey Oaks	71.10%	28.90%	Pass
Fairfax	57.30%	42.70%	Fail
Fort Bragg	69.20%	30.80%	Pass
Lancaster	47.30%	52.70%	Fail
Huntington Park	68.90%	31.20%	Pass
Manteca	19.60%	80.40%	Fail
Monterey Park	58.00%	42.00%	Fail
Perris	62.80%	37.30%	Fail
Salinas	54.40%	45.60%	Fail
San Leandro	50.70%	49.30%	Fail
Yreka	53.20%	46.80%	Fail

None of the comparable cities currently have a Public Safety/Fire Assessment Tax. The attached **Attachment 4** contains information about nine cities that passed, renewed, or failed to pass a Public Safety/Fire Assessment Tax in the last five years.

Parking Lot Tax

The City of Long Beach does not currently have a Parking Lot Tax. A Parking Lot Tax could be applied to all public and private parking lots located in the City or specific designated lots. It could be applied as a percentage of the parking fee or as an ascending tax depending on the parking cost and length of time.

Parking lot operators would be required to collect the tax from parking lot occupants and remit the collections to the City. The annual revenue to be generated from a citywide parking tax is roughly estimated at \$1.5 to 2.2 million, assuming a 10 percent tax rate. Revenue generated could be available to support general government programs, services and infrastructure maintenance, depending on the ballot language used. The tax could also be applied to specific lots within the City. For example, a 10 percent tax on airport parking could generate \$800,000 to the General Fund annually.

There are some special considerations associated with a Parking Lot Tax.

- Existing City contracts and leases with parking operators, and a few City Parking Garage Bonds, would have to be reviewed to evaluate the legality of such a tax and how the agreements might be affected.
- Other cities have parking lot taxes ranging from 10 percent in Los Angeles to 25 percent in San Francisco.
- Compliance is a known problem-area as many parking operations run on a cash basis, making it difficult to audit. Also, exemptions are also common for specified City lots, residential parking and long-term hotel residents. The City of Los Angeles collects approximately \$60 million per year from their tax.
- San Francisco also expressed problems with compliance. They designate this tax revenue to programs services for senior citizens, public transportation and their general fund. They collect approximately \$56 million per year.
- Chicago allows parking operators to retain 1 percent of the tax for administrative purposes.

There is no record of any 2004-2005 ballot including a Parking Lot Tax measure. Please refer to the attached **Attachment 5** for additional information on comparable cities.

Oil Production Tax

The current tax is \$0.15 per barrel produced, which is expected to generate \$2.2 million in FY 05. Each additional one-cent would generate approximately \$150,000, based on current production, or sliding scale could be employed such that as oil prices increase or decrease so would the tax rate. Oil fields have a limited life and therefore this tax should be assumed to reduce over time. Revenue generated could be available to support general government programs, services and operations, depending on the ballot language used. Oil well operators producing oil in the City would pay this tax.

City staff surveyed other cities that assess oil production tax including Signal Hill, Torrance and Santa Fe Springs. Staff found that the rates in other cities range from \$0.02 to \$0.31 per barrel with the majority of cities applying an annual CPI adjustment.

The City of Long Beach could raise the current rate to \$0.30 and potentially increase revenues by \$2.2 million. **Attachment 6** provides further detail on rates in other cities.

At this time, the BOC recommends the City Council to request the City Manager to further research the potential success of future tax initiatives in Long Beach as a means of addressing critical funding needs including public safety, infrastructure and maintenance needs, library services and youth programs, as well as return quality of life programs to the community.

Attachments

CC: Gary L. Burroughs, City Auditor
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Tom Reeves, City Prosecutor
Larry Herrera, City Clerk
Christine F. Shippey, Assistant City Manager
Suzanne R. Mason, Deputy City Manager
Reginald I. Harrison, Deputy City Manager
City Manager Department Heads

Survey of Comparable Agencies Utility User Tax

Attachment 1

Question	Long Beach ¹ (475,880) ²	Anaheim (301,207)	Fresno (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento (405,444)	San Diego (1,220,734)	San Francisco (731,978)	San Jose (852,616)	Santa Ana (332,574)
Type - Special or General					General	General				
% Vote Received					33.1% (Fail)	46.2% (Fail)				
Election Date					November 5, 2002	November 5, 2002				
Tax Amount - \$ or %	Current Rate - 5%			Current Rate - 12.5%	Increase from 7.5% to 8%	Decrease from 7.5% to 2.5%		Current Rate - 7.5%	Current Rate - 5%	Current Rate - 6%
Projected Annual Revenue					\$3.3 million	UUT generates approximately \$51 million annually.*				
Sunset Date					5 Years	N/A				
Purpose / Possible Uses					Advisory measure to allocate funds to violence prevention programs.	General government purposes				
Comments					Utility Tax, TOT and Parking Lot Tax were all placed on the same ballot. Note: All three measures did not pass.	* Measure calls for a 1% decrease in UUT annually.				

¹ A hypothetical 1% increase in the UUT would result in a projected \$7.5 - \$8 million in additional annual revenue, which could be allocated to fund additional police officers and command and support staff.

² Population based on US Census Estimates for 2003

**Survey of Comparable Agencies
Sales Tax**

Attachment 2

Question	Long Beach ¹ (475,880) ²	Anaheim (301,207)	Fresno* (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento (405,444)	San Diego (1,220,734)	San Francisco (731,978)	San Jose (852,616)	Santa Ana (332,574)
Type - Special or General			Special				General	General		
% Vote Received			53.9% (Fail)				*53.14% (Contingent on passage of Prop A)	41.89% (Fail)		
Election Date			November 5, 2002				November 5, 1996	November 2, 2004		
Tax Amount - \$ or %	Current County Tax - 8.25 % No Local Sales Tax	Current Rate - 7.75% No Local Sales Tax	Current Rate - 7.975% No Local Sales Tax (Ballot Measure for .5%)	Current Rate - 8.25% No Local Sales Tax	Current Rate - 8.75% No Local Sales Tax	Current Rate - 7.75% No Local Sales Tax	Proposition A - Increase County of San Diego Sales Tax by .25% No Local Sales Tax	Increase .25% from 8.5% to 8.75% No Local Sales Tax	Current Rate - 8.75% No Local Sales Tax	Current Rate - 7.75% No Local Sales Tax
Projected Annual Revenue								\$33.6 Million		
Sunset Date								None Listed		
Purpose / Possible Uses			Provide countywide transportation improvements.				*Voters approved an amendment to the City Charter to create an Endowment Fund for library services upon concurrent approval of the County of San Diego's Proposition A.	General governmental purposes		
Comments			* This is a County of Fresno Tax.				Endowment did not go into effect due to failure of Prop A to pass.			

¹ The City has the capacity to increase Local Sales Tax up to .5%, which could result in a projected \$20 million in additional annual revenue and could fund general governmental programs, services and operations.

² Population based on US Census Estimates for 2003

Survey of Comparable Agencies Transient Occupancy Tax

Attachment 3

Question	Long Beach ¹ (475,880) ²	Anaheim (301,207)	Fresno (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento* (405,444)	San Diego (1,220,734)	San Francisco (731,978)	San Jose (852,616)	Santa Ana (332,574)
Type - Special or General					General	General	General	Special	Special	General
% Vote Received			29.8% (Fail)		43.4% (Fail)	61.8% (Pass)	41.59% (Fail)	83.60% (Pass)	64.8% (Fail)	56.9% (Pass)
Election Date			November 7, 2000		November 5, 2002	November 5, 2002	November 2, 2004	November 3, 1998	November 5, 2002	November 2, 2004
Tax Amount - \$ or %	Currently at 12%	Currently at 15%	Increase from 12% to 13%	Currently at 14%	Increase from 11% to 14%	Continue collecting a 2% increase from 10% to 12%	Increase 10.5% to 13%	Remain @ 14%	Increase the Convention Bureau portion from 4% to 14%	Increase 9% to 11%
Projected Annual Revenue					\$2.7 million	\$1.5 million	\$28 Million	A failure to maintain this tax would result in a loss of revenue - \$23.4 million.		\$1 Million
Sunset Date					Five Years	None Listed	None Listed	None Listed		None Listed
Purpose / Possible Uses					Advisory measure to allocate funds to violence prevention programs.	General government purposes	General governmental purposes	Majority of tax to general fund with some earmarked for affordable housing, arts and cultural centers.	Help finance local development related to tourism	General government purposes
Comments	Initial discussions considered a 3% increase in the TOT: 1% for the CVB, 1% for the Arts and 1% for the City's GP. Recently, the CVB has been considering a separate measure, which would require City Council approval, to self-assess downtown hotels by x%, which would accrue entirely to the CVB. This would effectively make the initial 3% discussion moot.				Utility Tax, TOT and Parking Lot Tax were all placed on the same ballot. Note: All three measures did not pass.	* This is a County of Sacramento tax.		To continue with the 2% surcharge approved in 1998.	San Jose splits their TOT revenue into two funds; General Fund and Convention Center and Tourism Fund. The above mentioned measure was to increase the Convention Center Fund only. The General Fund TOT is currently at 10%.	

¹ Population based on US Census Estimates for 2003

² A hypothetical 1% increase in the TOT would result in a projected \$1.2 million in additional annual revenue. Allocation of funds would be dependent on ballot language.

Survey of Comparable Agencies Public Safety/Fire Assessment

Attachment 4

Question	Long Beach ¹ (461,522) ²	Lancaster (118,718)	San Leandro (79,452)	Buena Park (78,282)	Fort Bragg (7,026)	Salinas (151,060)	San Marino (12,945)	La Quinta (23,694)	Fairfax (7,319)	Larkspur (12,014)
Type - Special or General		Special	Special	Special	Special	Special	Special	Special	Special	Special
% Vote Received		47.3% (Fail)	50.7% (Fail)	65.8% (Fail)	69.2% (Pass)	54.4% (Fail)	79.9% (Pass)	66.5% (Fail)	57.1% (Fail)	88.6% (Pass)
Election Date		April 13, 2004	November 2, 2004	November 5, 2002	November 2, 2004	March 2, 2004	November 5, 2002	March 5, 2004	November 2, 2004	November 5, 2002
Tax Amount - \$ or %		\$25 per parcel	\$78 for single-family residences, \$46.80 per multi-family unit and \$16 per thousand square feet for industrial properties	\$19 per year for a single family parcel (with rates for other parcels based on land use and size)	\$18 per parcel	\$30 per parcel		\$85 per parcel	\$125 per parcel	\$30 per parcel
Tax Allocation (Residential, Commercial, Units)		Estimated total number of parcels - 42,486 (Multiple units are calculated as a single parcel)								
Projected Annual Revenue		\$1,062,150	\$3.25 million						\$460,000	
Sunset Date			5.5 Years	30 Years		10 Years	4 Years		5 Years	4 Years
Purpose / Possible Uses		Ten additional deputies	Maintain the current level of police and fire protection services at a minimum of 94 sworn police officers and a minimum of 7 fire companies	To improve 9-1-1 response time, build a new police headquarters and an earthquake-resistant Emergency Operations Center	Purchase fire equipment	Fund operations of the firefighter-paramedic program.	Paramedic, police and fire protection services	Fund fire protection and paramedic services	Fund public safety including police, fire, emergency medical and public works which includes hazardous/safety improvements to public streets and sidewalks	Fund paramedic services
Comments					Renewal		Renewal	Failed by .1%		Renewal

¹ A hypothetical \$30 - \$40 per parcel Fire Assessment Tax would result in a projected \$3.1 - \$4.1 million in additional annual revenue, which could fund deferred maintenance at fire facilities.

² Population based on US Census for 2000

Survey of Comparable Agencies
Parking Lot Tax

Attachment 5

Question	Long Beach ¹ (475,860) ²	Anaheim (301,207)	Fresno (455,676)	Los Angeles (3,719,310)	Oakland (382,369)	Sacramento (405,444)	San Diego (1,220,734)	San Francisco (731,978)	San Jose (852,616)	Santa Ana (332,574)
Type - Special or General					General			General		
% Vote Received					43.8% (Fail)			58.4 % (Pass)		
Election Date					November 5, 2002			June 1980		
Tax Amount - \$ or %				Currently at 10%	Increase from 10% to 20% (Public & Private Lots)			Increase from 15% to current 25% rate (Public & Private Lots)		
Projected Annual Revenue				\$59 million annually	\$6.6 million			\$56 million annually		
Sunset Date					5 Years					
Purpose / Possible Uses					Advisory measure to allocate funds to violence prevention programs.			Senior Citizen, public transportation and general governmental purposes		
Comments					Utility Tax, TOT and Parking Lot Tax were all placed on the same ballot. Note: All three measures did not pass.					

¹ A hypothetical 10% Parking Lot Tax applied Citywide would result in a projected \$1.4 million in additional annual revenue. Allocation of funds would be dependent on ballot language.

² Population based on US Census Estimates for 2003

**Survey of Comparable Agencies
Oil Production Tax ¹
(Los Angeles County)**

Question	Long Beach ² (461,522) ³	Beverly Hills (33,784)	Culver City (38,816)	El Segundo (16,033)	Inglewood (112,580)	La Habra Heights (5,712)	Montebello (62,150)	Santa Fe Springs (17,438)	Signal Hill (9,333)	Torrance (137,946)
Type - Special or General										
% Vote Received										
Election Date										
Tax Amount - \$ or %	\$0.15 per bbl.	Outside: 1st 10,000 - \$1,611.67 \$0.11 bbl >10,000 Inside: 1st 10,000 - \$3,235.43 \$0.31 bbl >10,000	\$18 per \$1,000 gross receipts (oil, gas, and liquids) ⁴	\$0.02 per bbl	\$0.22 per bbl ⁴	\$0.20 per bbl.	\$0.288 per bbl ⁵	\$0.20 per bbl ⁴	\$0.314 per bbl ⁶	\$0.23 per bbl ⁶
Projected Annual Revenue										
Sunset Date										
Purpose / Possible Uses										
Comments		Outside - Well located outside City limits .								

¹ There were no noted ballot initiatives in the State of California for an Oil Production Tax since 1998.
² A hypothetical \$0.01 bbl Oil Production Tax increase would result in a projected \$150,000 in additional annual revenue. Allocation of funds would be dependent on ballot language.
³ Population based on US Census for 2000
⁴ Source: Society of Petroleum Evaluation Engineers (1999 Data)
⁵ Tax indexed to CPI and adjusted annually.
⁶ Tax indexed to PPI for Crude Petroleum and adjusted annually.

**Draft PowerPoint
Presentation**

May 17, 2005

City of Long Beach Budget Oversight Committee

DRAFT

New Revenue Options

May 17, 2005

6th District Councilwoman Laura Richardson, Chair
Vice-Mayor and 5th District Councilwoman Jackie Kell, Member
7th District Councilwoman Tonia Reyes Uranga, Member

Review of New Revenue Options

- Budget Oversight Committee (BOC) examined possible options to enhance the City's revenue:
 - ✓ Utility User Tax (UUT)
 - ✓ Local Sales Tax
 - ✓ Transient Occupancy Tax (TOT)
 - ✓ Library Assessment Tax
 - ✓ Fire Assessment Tax
 - ✓ Oil Productions Tax
 - ✓ Parking Lot Tax

Review of New Revenue Options

- A Special Tax requires a two-thirds popular vote for any tax whose proceeds are designated in advance for a particular use, which may include:
 - ✓ Library Assessment Tax
 - ✓ Fire Assessment Tax
- A General Tax can be approved with a simple majority voter approval and would generate revenue that is not designated or restricted in its use, which may include:
 - ✓ Utility Users Tax
 - ✓ Sales Tax
 - ✓ Parking Lot Tax
 - ✓ Oil Productions Tax
 - ✓ Transient Occupancy Tax
- A possible alternative would be to have a general tax measure on the same ballot with a non-binding advisory measure, that could provide guidance to policy makers on use of funds

3

Utility User Tax

- The current UUT rate is 5 percent
- 1 percent increase would generate between \$7.5 to \$8 million
- An increase would affect electric, water, gas and telephone rates
 - ✓ Sample Impact: If a resident's combined bills totaled \$150 per month, a 1 percent increase in the UUT would be \$1.50 per month or \$18 per year
- During 2004 and 2005, five cities proposed a general increase to their existing UUT
 - ✓ Four of the five failed to receive the majority voter approval required
- Of comparable agencies surveyed, both Oakland and Sacramento attempted to change their UUT rate in 2002
 - ✓ Both were unsuccessful

4

Sales Tax

- Current Sales Tax rate is 8.25 percent
- An additional 1/2 cent percent increase would generate approximately \$20 million
 - ✓ 1/2 cent is statutory limit for a local sales tax increase
- During 2004 and 2005, voters in 25 cities considered proposals to increase their local sales tax
 - ✓ Overall, 13 of the 25 (52 percent) measures passed
 - ✓ Nine measures were for Public Safety, four of which passed (44 percent)
- None of the comparable agencies surveyed currently have a local sales tax

5

Transient Occupancy Tax

- The current Transient Occupancy Tax (TOT) rate is 12 percent
- Each percentage point could increase the TOT revenue by approximately \$1.2 million
- In 2004 and 2005, 24 cities proposed a TOT increase.
 - ✓ Voters in 13 cities approved the increase, a 54 percent success rate.
 - ✓ Both South San Francisco and San Juan Bautista earmarked the funds for recreation and Public Safety, both received the required 2/3 voter approval
- In the comparable agencies surveyed:
 - ✓ Voters from Sacramento, San Francisco and Santa Ana all passed a TOT increase in the last five years
 - ✓ Voters from Fresno, Oakland, San Diego all defeated a TOT increase

6

Library Assessment Tax

- The Library Funding Focus Group recommended a \$25 per parcel tax, which could generate up to \$4.3 million
 - ✓ Library hours could be extended to 6 days/week for neighborhood libraries and 7 days/week for Main Library
 - ✓ Additional books, materials and electronic resources
 - ✓ Virtual library would remain state-of-the-art
- During 2004-2005, 12 cities had new Library Assessment measures on the ballot
 - ✓ Only Richmond's measure passed
 - ✓ Remaining 11 cities were part of Los Angeles County measure placed on the ballot by the Board of Supervisors
- The cities of Oakland, San Jose, Sacramento and Santa Clara County all had initiatives on the ballot to renew their pre-existing Library Assessment taxes
 - ✓ All were successful
 - ✓ Oakland, as part of the renewal initiative, also increased their taxable amount from \$36 to \$75 per single family residence ⁷

Fire Assessment Tax

- A hypothetical \$25 per parcel tax could generate up to \$4.3 million
 - ✓ Resource needs of the department include five station rehabilitation, paramedic rescue units and technology support
- During 2004 and 2005, 14 cities had Public Safety Assessment measures
 - ✓ Four passed (29 percent)
- None of the comparable agencies surveyed currently have a Public Safety/Fire Assessment Tax

Parking Lot Tax

- Long Beach has no current Parking Lot Tax
- The annual revenue to be generated from a citywide Parking Lot Tax is estimated from \$1.5 to \$2.2 million, assuming a 10 percent tax rate
 - ✓ A Parking Lot Tax could be applied to all public and private parking lots located in the City
 - ✓ A Parking Lot Tax could also be applied to specific lots in the City. For example, a 10% tax at the Airport could generate over \$800,000 for the General Fund
- Compliance is a known problem-area as many parking operations run on a cash basis, making it difficult to audit
- Los Angeles and San Francisco have parking lot taxes of 10% and 25% which generate \$59 million and \$56 million respectively annually

9

Oil Production Tax

- The current tax is \$0.15 per barrel produced, charged only to oil well operators
- Expected to generate \$2.2 million in FY 05
- Other cities surveyed tax oil well operators 0.22 to 0.28 on average, with Signal Hill charging 0.31 per barrel
- A 0.15 cent increase could generate \$2.2 million per year to the General Fund
- Consideration should be given to a tax rate that adjusts as the price of oil changes

10

Recommended Action

- Request the City Manager to further research and recommend future revenue generating ballot initiatives in Long Beach as a means of addressing critical funding needs including public safety, infrastructure needs, library services and youth programs.



Date: May 17, 2005
To: Gerald R. Miller, City Manager
From: Michael A. Killebrew, Director of Financial Management
For: Members of the Budget Oversight Committee
Subject: **Responses to April 19, 2005 Budget Oversight Committee Requests for Information**

The fourth Budget Oversight Committee meeting of Fiscal Year 2005 meeting was held on April 19, 2005. The following information was developed in response to the Committee members' questions during this meeting.

1) What is the breakdown of the Police Department's task force and where are they located?

Please see **Attachment 1** for the task force summary for the first half of the current fiscal year from the Police Department. The task forces are implemented and data tracked by Patrol Division; therefore, a breakdown by council district is not available.

2) Are consumers motivated to purchase items in cities that have a lower sales tax rate?

According to Mr. Jack Kyser, Los Angeles County Economic Development Corporation's chief economist, Long Beach would be extremely vulnerable to a sales loss if its retail sales tax rate were increased. Sales would likely be lost to: Signal Hill, Lakewood, Cerritos and Los Angeles, as our closest competitors for retail business.

3) What measures were taken to obtain a passing vote in Oakland for the \$75/parcel Library Assessment Tax?

According to the Director of the Oakland Public Library, the following reasons helped contribute to the successful passage of the increased Library Assessment Tax in 2004:

- There was a strong feeling of support from a community that views library services as essential combined with a feeling that City Hall had not looked after the Library properly.
- Citizens felt that they needed to take charge.
- Oakland has a history of support for library funding, having passed a bond measure and also a special tax in the 1990s. (The Spring 2004 election was for an early renewal and an increase of an

existing parcel tax. The original amount was \$36 per single family residential.)

- Citizens wanted better collections, better hours and more technology.
- The wealthier communities in the city felt a strong sense of social responsibility to improve the educational resources and opportunities for poorer neighborhoods.
- Strong support from the City Council and Mayor, which was evidenced in the unanimous vote to put the library tax measure on the ballot.
- Very strong grassroots support, including the city's youth, and support of the local newspapers.
- Broad-based outreach to community groups by staff, members of the Friends, the Library Commission and other advocates to explain the issues and the ballot measure.

4) Are there ideas for a container tax that could help mitigate the effects of the port traffic and/or pollution?

A container tax specific to mitigating the effects of the port traffic and/or pollution could be used to help fund existing efforts already in place by the Harbor Department to reduce the impact of port activities on the environment. These efforts include the Healthy Harbor initiative launched in 2003 with the goal of enhancing air quality, water quality and wildlife habitats in Long Beach. On the heels of the Healthy Harbor initiative, the Green Port Policy was established in January 2005 to further define the principles and procedures necessary to make the environment a priority.

5) Is there a greater success rate with a general tax as opposed to a special tax?

To answer this question with any certainty, an outside expert would need to be retained to fully explore the current situation in Long Beach. However, short of this analysis, there are several lessons learned, according to the Colman Advisory Group, a tax advisory resource for California cities, that may be helpful to consider. There are many circumstances that can have bearing on the outcome of a local measure, including the effect of spurious issues and personalities in the community, local fiscal conditions and various levels of service, varying community philosophies of government, the amount of local activism and clear and competent communication from the City. The Colman Advisory Group also states that earmarking a tax for a special purpose may create additional challenges due to the required 2/3 voter approval rate.

6) Is there a greater success rate with in a primary election vs. a general election?

The response to question 5 above applies to this question as well.

Should you require any further information, please do not hesitate to contact me.

Attachment

GRM:MAK:sm

K:\Budget\FY05\BOC\Response to April 19 Meeting

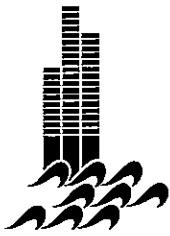
cc: Mayor and Members of the City Council
Gary L. Burroughs, City Auditor
Robert E. Shannon, City Attorney
Tom Reeves, City Prosecutor
Christine F. Shippey, Assistant City Manager
Suzanne R. Mason, Deputy City Manager
Reginald I. Harrison, Deputy City Manager
City Manager Department Heads

LONG BEACH POLICE DEPARTMENT

FY 05 Task Force Overtime
October 2004 through March 2005

Estimates based on Daily OT Reports

Patrol		Est Hrs	Est Costs	Dates	
City Wide Crime Suppression		12,100	\$ 569,300	10/01/04	01/01/05
(FY05 Continuation of Task Force started in June 2004)					
Blue Line		1,400	67,900	11/03/04	12/30/04
Shoreline/Pike		200	5,600	11/11/04	12/04/04
East Div. Beat 11 Auto Theft		1,000	50,000	10/19/04	11/11/04
East Div. Beats 9/11/12		400	20,300	10/10/04	10/17/04
East Div. Parolee		200	9,500	12/17/04	12/22/04
South Div. Hellman		1,000	47,700	10/28/04	12/12/04
South Div. Narcotics		800	39,400	11/04/04	11/30/04
South Div. Pine Ave		50	2,300	10/22/04	11/05/04
South Div. Walnut		800	37,300	12/15/04	12/17/04
North Div. Auto Theft		50	2,100	11/12/04	11/18/04
North Div. Northpointe		300	15,500	10/31/04	11/16/04
North Div. Narcotics		600	27,800	11/21/04	12/29/04
North Div. Violent Crime		50	1,800	12/08/04	12/08/04
West Div. Auto Theft		400	19,700	11/29/04	12/30/04
West Div. Beats 1 & 2		4,200	199,800	02/26/05	04/03/05
West Div. Prostitution		300	13,700	10/18/04	12/28/04
West Div. Quality of Life		250	10,300	11/02/04	11/03/04
West Div. Robbery		50	2,000	12/06/04	12/16/04
		24,150	\$ 1,142,000		



City of Long Beach

Working Together to Serve

Memorandum

Exhibit 4

Date: May 11, 2005

To: Budget Oversight Committee

From: Robert E. Shannon, City Attorney *RES*

Subject: Container Taxes and Fees

Issue

At the City Council meeting on April 12, 2005, the Council unanimously supported Senator Lowenthal's bill SB 760, which would impose a fee on each shipping container processed in the Port of Long Beach to be used for port rail, air quality and security improvements. Councilmember Richardson asked whether the City of Long Beach could impose a similar fee.

Response

The answer is yes, provided it is truly a fee and provided it satisfies the constitutional requirements discussed below. As we advised the Committee during the budget process last year, the United States Supreme Court has held that a local government cannot impose an ad valorem tax on containers for general revenue purposes. We have also previously advised the Committee that state and local governments can impose service fees and impact fees. Service fees and impact fees must not exceed the estimated cost of the service or impact or they may be found to be taxes imposed for revenue purposes which are subject to more stringent constitutional constraints.

In the Harbor District, the Board of Harbor Commissioners has exclusive jurisdiction to impose fees for harbor services and impacts. The Board imposes many different fees, including those for pilot services, docking facilities and wharf facilities. Some of these fees are assessed on a per-container basis. The Harbor Department also passes along to harbor users harbor-related costs incurred by other City departments, including Police and Fire.

Outside the Harbor District, the City Council has jurisdiction to impose fees for services and impacts. To be constitutional, such a fee: (1) would relate to an activity with a substantial connection to Long Beach; (2) would

not discriminate against interstate or international commerce; (3) would be fairly apportioned; (4) would be reasonable in amount considering the cost of the service or impact; (5) would not result in multiple charges; and (6) would not conflict with federal law. The constitutional constraints on local regulation of interstate and international commerce are complex and fact-specific. This office would need to review the details of any fee proposals and determine how these factors have been applied by the courts in similar factual situations.

RES:dmp